

Abstract (summary):

This dissertation provides evidence on the effects of trade policy instability on economic growth. Numerous studies have evaluated trade reforms in developing countries; however, analysis of the effect of trade policy instability has been quite limited. This study argues that previous indicators offer only partial information on policy instability and develops a new Trade Policy Instability Index (TPI) as a more accurate measure. The TPI consists of three components: the commitment by the authorities to trade policy, the volatility, and consistency among trade policies. Results derived from a panel of 90 countries for the period 1970-2000 indicate that trade policy instability has a negative impact on growth. Extensive testing finds these results to be quite robust.